



FLORIDA INTERNATIONAL UNIVERSITY
COLLEGE OF BUSINESS ADMINISTRATION

Country Assessments for the Asian Geographic Region

Prepared by

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For the benefit of

The Jay Malina International Trade Consortium

July 30, 2008

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2007 Key Trade Statistics:

Country	GDP	Total Exports	Total Imports	Rank w/ U.S.	Trade w/ U.S.	Rank w/ Miami	Trade w/ Miami	Outbound FDI
Japan	\$4.3T	\$676B	\$572B	4th	\$200B	22nd	\$1.15B	\$500B (Cum)
South Korea	\$1.2T	\$371B	\$356B	7th	\$82B	27th	\$800M	\$276M
Taiwan	\$690.1B	\$246B	\$219B	9th	\$64B	31st	\$532M	\$92B (Cum)
Thailand	\$519.4B	\$151B	\$125B	27th	\$31B	35th	\$376M	\$7B (Cum)
Vietnam	\$221.4B	\$48B	\$52B	39th	\$12B	52nd	\$145M	\$391M

International Organization Key:

ADB: Asian Development Bank

AfDB: African Development Bank

APEC: Asia-Pacific Economic Cooperation

APT: Asia Pacific Telecommunity

ARF: ASEAN Regional Forum

ASEAN: Association of Southeast Asian Nations

Australia Group: Prevention of chemical and biological weapon proliferation

BCIE: Central American Bank for Economic Integration

BIMSTEC: Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation

BIS: Bank for International Settlements

CE: Council of Europe

CERN: European Organization for Nuclear Research

CP: Colombo Plan

EAS: East Asian Seas

EBRD: European Bank for Reconstruction and Development

FAO: Food and Agriculture Organization

G-5: France, Germany, Japan, the United Kingdom, and the United States

G-7: Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States

G-8: France, the United States, the United Kingdom, Russia, Germany, Japan, Italy and Canada

G-10: Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States

G-77: Group of 77 at the United Nations

IADB: Inter-American Development Bank

IAEA: International Atomic Energy Agency

IBRD: International Bank for Reconstruction and Development (World Bank)

ICAO: International Civil Aviation Organization

ICC: International Chamber of Commerce

ICCT: International Council on Clean Transportation

ICRM: International Committee for Radionuclide Metrology

IDA: International Development Association

IEA: International Energy Agency

IFAD: International Fund for Agricultural Development

IFC: International Finance Corporation

IFRCS: International Federation of Red Cross and Red Crescent Societies

IHO: International Hydrographic Organization

ILO: International Labour Organization

IMF: International Monetary Fund

IMO: International Maritime Organisation

IMSO: International Mobile Satellite Organization

Interpol: International Criminal Police Organization

IOC: International Olympic Committee

IOM: International Organisation for Migration

IPU: Inter-Parliamentary Union

ISO: International Organization for Standardization

ITSO: International Telecommunications Satellite Organization

ITU: International Telecommunication Union

ITUC: International Trade Union Confederation

LAIA: Latin American Immigration Association

MIGA: Multilateral Investment Guarantee Agency

NAM: Nonaligned Movement

NEA: Nuclear Energy Agency
NSG: Nuclear Supplier Group
OAS: Organization of American States
OECD: Organisation for Economic Co-operation and Development
OIC: Organisation of the Islamic Conference
OIF: International Organization of Francophone's
OPCW: Organization for the Prohibition of Chemical Weapons
OSCE: The Organization for Security and Co-operation in Europe
Paris Club: 19 nations that strive to identify sustainable solutions for the payment difficulties experienced by debtor nations
PBEC: Pacific Basin Economic Council
PCA: Permanent Court of Arbitration
PECC: Pacific Economic Cooperation Council
PIF: Pacific Islands Forum
SAARC: South Asian Association for Regional Cooperation
SECI: Southeast European Cooperative Initiative
UN: United Nations
UN Security Council: United Nations Security Council
UNAMID: United Nations-African Union Mission to Darfur
UNCTAD: United Nations Conference on Trade and Development
UNDOF: United Nations Disengagement Observance Force
UNESCO: United Nations Educational, Scientific and Cultural Organization
UNFICYP: United Nations Peacekeeping Force in Cyprus
UNHCR: United Nations Higher Commissioner for Refugees
UNIDO: United Nations Industrial Development Organization
UNIFIL: United Nations Interim Force in Lebanon
UNITAR: United Nations Institute for Training and Research
UNMIS: United Nations Mission in the Sudan
UNMOGIP: United Nations Military Observer Group in India and Pakistan
UNOMIG: United Nations Observer Mission in Georgia
UNRWA: United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNWTO: United Nations World Tourism Organization
UPU: Universal Postal Union

WCL: World Confederation of Labour

WCO: World Customs Organization

WFTU: World Federation of Trade Unions

WHO: World Health Organization

WIPO: World Intellectual Property Organization

WMO: World Meteorological Organization

WTO: World Trade Organization

ZC: Zangger Committee

COUNTRY BACKGROUND

Chief of State: Emperor Akihito

Prime Minister: Yasuo Fukuda

Government: Constitutional monarchy with a parliamentary government

Capital: Tokyo

Major Cities: Tokyo, Yokohama, Osaka, Kyoto, Nagoya, Sapporo and Kobe.

Major Ports: Chiba, Kawasaki, Kobe, Mizushima, Moji, Nagoya, Osaka, Tokyo, Tomakomai and Yohohama.

Airports: 176 airports, 145 with paved runways.

Population (2008 est.): 127,288,419

Official Language: Japanese

Currency: Yen (JPY) with a current exchange rate of 108.02JPY = \$1 USD floats freely with little intervention from the Bank of Japan.

General Geography: Japan is a chain of islands consisting of 374,744 sq km of land area located in Eastern Asia, between the North Pacific Ocean and the Sea of Japan; east of the Korean Peninsula.



TRADE AND COMMERCE KEY FEATURES

GDP (2007 est.): \$4.29 trillion

Per Capita GDP (2007 est.): \$33,600

Natural Resources: Fish and negligible mineral resources.

Agricultural Products: Rice, sugar beets, vegetables, fruit, pork, poultry, dairy products and eggs.

Types of Industries: Motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles and processed foods.

International Organizations: ADB, AfDB, APEC, APT, ARF, ASEAN (dialogue partner), Australia Group, BIS, CE (observer), CERN (observer), CP, EAS, EBRD, FAO, G-5, G-7, G-8, G-10, IADB, IAEA, IBRD, ICAO, ICC, ICCT, ICRM, IDA, IEA, IFAD, IFC, IFRC, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC, LAIA, MIGA, NEA, NSG, OAS (observer), OECD, OPCW, OSCE (partner), Paris Club, PCA, PIF (partner), SAARC (observer), SECI (observer), UN, UN Security Council (temporary), UNCTAD, UNDOF, UNESCO, UNHCR, UNIDO, UNITAR, UNRWA, UNWTO, UPU, WCL, WCO, WFTU, WHO, WIPO, WMO, WTO, ZC

Trade Agreements: Japan has Economic Partnership Agreements (EPA's) with Singapore, Mexico, Malaysia, Chile and Thailand. They have also reached agreements *in principle* with the Philippines,

Indonesia and Brunei. Agreements are also being discussed with India, Vietnam, Australia, Switzerland and the Gulf Cooperation Council.

Trade Partners: U.S., China, South Korea, Taiwan, Hong Kong, Saudi Arabia, UAE, Australia and Indonesia.

Business Environment: Japan is currently ranked 12th for ease of doing business by the World Bank and it is estimated to take approximately 23 days to start a business. Barriers to entry into the Japanese market remain dependant on the product or service being imported. Differences in language, existing competition, regulations and strict service expectations vary depending on the industry and can cause complications in penetrating the market. While affective tariffs for imported products remain low, regulatory and cultural delays still challenge importers. Tariffs for autos and auto parts, software, computers, and industrial machinery are zero, whereas tariffs on leather goods and certain manufactured goods remain relatively high. The average agricultural tariff rate remains high at 17%, though this is on a downward trend. Entering Japan for the first time can be overwhelming, and most delays result from incorrect paperwork which is normally overcome as the exporter becomes accustomed to procedures. Labeling requirements and testing standards must also be adhered to; failure to follow these requirements might result in a restriction on selling the product.

When engaging in business opportunities in Japan, it is essential to visit the country frequently and develop personal relationships with future business partners. Traveling with an interpreter and following local traditions and customs are important to local businesses. Additionally, it is key to have a local representative when entering Japan; while firms have hired internally in the past, many are beginning to see the added value of a local Japanese representative. Establishing a business in Japan is very expensive; therefore many firms begin by establishing a relationship with an agent firm who represents their interests in the region prior to locating there. Relationships with agents can take different forms, and firms looking to protect themselves can give the agent company regional exclusivity or limited terms to help minimize initial exposure. Dissolving a relationship with an agent can also prove to be tricky, and should be considered before engaging them.

The most prominent industries in Japan, as listed by the Japan External Trade Organization (JETRO), currently include automotive parts, retail, information communication technology (ITC), biotechnology, medical care and environment. Agriculture continues to decline as the population ages, and Japan imports more than 60% of their food products. This has strengthened the demand for U.S. food products beginning in the early 1990's.

Bureaucracy still plays a large role in business in Japan, despite efforts beginning in 2001 to decrease the influence politician's play. While the business environment in Japan remains different from that of the U.S., companies have been successful in adapting to the culture. When legal battles arise, the American Chamber of Commerce in Japan (ACCI) is available to provide assistance. The court system in Japan is not designed to handle business matters and as a result court decisions can take 2-5 years. Foreign investors have recognized this as a problem and many decide to settle out of court.

Business travelers to Japan are allowed to stay up to 90 days without a visa, and entry into the country is normally a formality. Travelers hoping to stay longer must obtain an Alien Registration card from a local municipal office, free of charge. Obtaining a worker or investor visa can take up to two months but does not require immunizations or health certificates.

EXPORTS AND IMPORTS

Japan is currently the second largest world economy ranking fourth for total merchandise exports and fifth for imports. Additionally, they are the fourth largest trading partner with the U.S. with over \$200 billion USD in goods and services crossing the border each year. Trade with south Florida reached over \$1.15 billion USD and Japan currently ranks 22nd in overall trade with the region.

Exports are estimated to have totaled \$676.9 billion USD in 2007 with main trading partners including the U.S. (22%), China (14%), South Korea (7%), Taiwan (6%) and Hong Kong (5%). The main industries exported from Japan include: Transport equipment, Motor vehicles, Semiconductors, Electrical machinery and Chemicals. Japan currently ranks number one in imports to Florida with over \$55 billion USD in 2007. Imports into Miami totaled \$753 million USD in 2007 with the top five products including: Self propelled bulldozers (\$174M), Transmission apparatus for radio telephone (\$100M), Printing machines (\$78M), Prepared, unrecorded media (\$31M) and Sewing machines (\$28M).

Imports for 2007 are estimated to have reached \$572.4 billion USD with most of the trading occurring with China (20%), U.S. (12%), Saudi Arabia (6%), UAE (5%), Australia (4%), South Korea (4%) and Indonesia (4%). The main commodities imported are focused in the following industries: Machinery and equipment, Fuels, Foodstuffs, Chemicals, Textiles and Raw materials. Japan is the fourth largest export market for U.S. products totaling \$62.7 billion USD in 2007. The State of Florida exported over \$880 million USD of these products. Imports received from the District of Miami totaled \$397 million USD, accounting for almost 50% of the total merchandise received from Florida. The top five products included: Heterocyclic compounds (\$178M), medicaments (\$48M), citrus fruit (\$40M), turbojets and other turbines (\$22M) and parts of aircraft, spacecraft and balloons (\$20M).

FOREIGN DIRECT INVESTMENT

Investment into Japan is handled by the Ministry of Economy, Trade and Industry (METI) and support is provided by JETRO. Inward Foreign Direct Investment (FDI) was a net negative this year due to disposals by large multinational corporations. Despite this negative growth, foreign firms had an increase in operating income by 21.5%. The Government of Japan (GOJ) has set an aggressive goal for FDI into Japan targeting 5% of GDP by 2010. Currently, FDI stands at 2.5%. Businesses that operate in Japan are generally only taxed on their income derived in Japan, and the bi-lateral tax treaty with the U.S. helps to alleviate double taxation. Foreign firms receive domestic treatment for all other imposed taxes. In 2003, the Japan Investment Council (JIC) adopted a five point strategy to increase FDI: (1) make administrative processes clearer, simpler, and faster; (2) improve the business environment by facilitating cross-border M&A; (3) create a favorable work and living environment for foreign residents in Japan; (4) improve local efforts to attract FDI through use of Special Zones for Structural Reform; and (5) disseminate information on investment opportunities both domestically and internationally. Cumulative outbound investment from Japan reached over \$500 billion USD in 2007. Currently, as reported by World City in their 2008 Global Economic Impact Study, Japan has 39 companies represented in South Florida. This includes 2 companies with U.S. or America Headquarters, 29 with regional headquarters and 8 with local offices.

RECOMMENDATION

A trade mission to Japan would be highly recommended due to the sophistication of their consumers and their increased focus on international trade. Businesses looking to enter Japan can begin by either

exporting or by taking advantage of the new streamlined process to invest in the country. With quicker processes and decreasing taxes, Japan continues to be a good trading partner for the U.S. and South Florida. Japan is also enjoying a period of sustained growth shown by the increased development in the area. With over \$1.15 billion in trade with Miami last year, Japan increased 18% from the previous year. Potential partnership opportunities exist between the following:

- The Greater Miami Chamber of Commerce (GMCC) and the Japan Chamber of Commerce and Industry, including local chambers identified as attracting inbound FDI: Sapporo Chamber of Commerce and Industry; Chiba Chamber of Commerce Federation; Yokohama City and Chubu Economic Federation;
- The International Trade Consortium and Japan External Trade Organization (JETRO);
- Miami Port Authority and the Ports of Nagoya, Yokohama, Yokkaichi, Naha and Maizuru;
- The Miami International Airport and the international airports of Narita and Tokyo.

The list below identifies growing markets in Japan along with South Florida companies that operate in these markets that could potentially benefit by exporting to this area:¹

- **IT:** Alienware in Miami (<http://www.alienware.com/>);
- **Biotechnology:** Biotechnology: Galix Biomedical Instrumentation in Miami Beach (<http://www.galix-gbi.com/>) and Goodwin Biotechnology in Plantation (<http://www.goodwinbio.com/index.html>).
- **Fuels:** World Fuel Services Corporation in Miami (<http://www.wfscorp.com/wfscorp/index.jsp>) and Oxbow Corporation in West Palm Beach (<http://www.oxbow.com/ContentPage.asp?FN=Home&oLang=>);
- **Foodstuffs:** Northwestern Meat Inc. in Miami (<http://www.numeat.com/>), Quirch Foods in Miami (<http://www.quirchfoods.com/>) and Trujillo & Sons (<http://www.trujilloandsons.com/home.htm>);
- **Chemicals:** Fassi Chemical in Sunrise (http://www.thefassigroup.com/index_chemical.html).

Before initiating business in the Japanese market, trips to the area focused on developing local relationships and contacts are essential. Due to the high expense of investing in Japan, the primary way to enter the market would be through direct selling or exporting. If more of a presence is desired, the contacts listed below can provide assistance in determining the appropriate level of investment. Additionally, prior to any FDI commitment, companies should conduct industry specific analysis to identify other U.S. firms that have successfully invested in the past. Smaller initial investments, such as warehousing or distribution, should first be considered.

¹ These South Florida businesses were identified in the 2008 South Florida Business Journal “Book of Lists” or the Florida Manufacturers Register and were determined to be operating in an industry that was either a targeted industry in Japan or one of the top five products imported into the country.

Representatives in the area include:

Ambassador J. Thomas SCHIEFFER
U.S. Embassy: 1-10-5 Akasaka, Minato-ku, Tokyo 107-8420
Telephone: +81/3/3224-5000
FAX: +81/3/3505-1862

American Chamber of Commerce in Japan (ACCJ)
Sam Kidder, Executive Director Masonic
39 MT Bldg. 10F; 2-4-5 Azabudai, Minato-ku; Tokyo 106-0041
Tel: +81/3/3433-5381
Fax: +81/3/3433-8454
Web: www.accj.or.jp/

Enterprise Florida, Japan Office
Sam Tabuchi, Director
http://www.eflorida.com/Contact_International_Japan.aspx

Japan Chamber of Commerce and Industry
International Division Tosho Bldg.,
3-2-2 Marunouchi, Chiyoda-ku, Tokyo 100-0005
Tel: +81/3/3283-7601
Fax: +81/3/3216-6497
Web: www.jcci.or.jp/home-e.html

Japan External Trade Organization (JETRO)
Invest Japan Dept., Market Entry Division
Ark Mori Bldg., 6F, 1-12-32, Akasaka, Minato-ku, Tokyo 107-6006
Tel: +81/3/3582-5410
Fax: +81/3/3584-6024
Web: www.jetro.go.jp/

Japan-U.S. Business Council
Otemachi Bldg., Room 439, 1-6-1 Otemachi, Chiyoda-ku, Tokyo 100-0004
Tel: +81/3/3216-5823
Fax: +81/3/3284-1576
Web: www.jubc.gr.jp/eng/index.html

JETRO “Invest Japan” Business Support Center
Ark Mori Bldg., 7F, 1-12-32, Akasaka, Minato-ku, Tokyo 107-6006
Tel: +81/3/3582-4685
Fax: +81/3/3584-6024
Web: www.jetro.go.jp/en/invest/investmentservices/ibsc/

Ministry of Economy, Trade and Industry (METI)
Trade & Investment Facilitation Division

1-3-1 Kasumigaseki, Chiyoda-ku, Tokyo 100-8901
Tel: +81/3/3501-1662
Fax: +81/3/3501-2082
Web: www.meti.go.jp/english/index.html

Venture Japan LLC
6-7-22-351 Shinjuku, Shinjuku-ku, Tokyo 160-0022
Tel: +81/3/3355-4633
Web: www.venturejapan.com/index.htm

Sources: The Beacon Council, Central Intelligence Agency World Fact Book, Economic Intelligence Unit, Enterprise Florida, Florida Manufacturers Register, Japan External Trade Organization “Invest in Japan”, Ministry of Economy, Trade and Industry, South Florida Business Journal “Book of Lists”, STAT USA, U.S. Department of Commerce, U.S. State Department, Venture Japan and the World Bank.

COUNTRY BACKGROUND

President: LEE Myung-bak

Head of Government: Prime Minister HAN Seung-soo

Government: Republic

Capital: Seoul

Major Cities: Busan, Daegu, Incheon, Gwangju, Daejeon and Ulsan.

Major Ports: Inch'on, P'ohang, Pusan and Ulsan.

Airports: 105 airports, 65 equipped with paved runways.

Population (2008 est.): 49,232,844

Official Language: Korean, although English is widely taught in schools.

Currency: South Korean won (KRW) which currently exchanges at \$1USD = 1045.85 KRW.

General Geography: Located in Eastern Asia and occupying the southern half of the Korean Peninsula, South Korea contains 98,190 sq km of land bordering on the Sea of Japan and the Yellow Sea.



TRADE AND COMMERCE KEY FEATURES

GDP (2007 est.): \$1.201 trillion

Per Capita GDP (2007 est.): \$24,800

Natural Resources: Coal, tungsten, graphite, molybdenum, lead and hydropower potential.

Agricultural Products: Rice, root crops, barley, vegetables, fruit, cattle, pigs, chickens, milk, eggs and fish.

Types of Industries: Electronics, telecommunications, automobile production, chemicals, shipbuilding and steel.

International Organizations: ADB, AfDB (nonregional members), APEC, APT, ARF, ASEAN (dialogue partner), Australia Group, BIS, CP, EAS, EBRD, FAO, IADB, IAEA, IBRD, ICAO, ICC, ICCT, ICRM, IDA, IEA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC, LAIA, MIGA, NEA, NSG, OAS (observer), OECD, OPCW, OSCE (partner), PCA, PIF (partner), SAARC (observer), UN, UNCTAD, UNESCO, UNFICYP, UNHCR, UNIDO, UNIFIL, UNMIL, UNMIS, UNMOGIP, UNOMIG, UNWTO, UPU, WCL, WCO, WHO, WIPO, WMO, WTO, ZC

Trade Agreements: Korea currently has Free Trade Agreements (FTA) with Chile, Singapore, the four-nation European Free-Trade Association (Switzerland, Liechtenstein, Norway and Iceland), and nine of the ten member-states of the ASEAN (excluding Thailand). In mid-2007 South Korea and the U.S. signed

a FTA that is currently awaiting ratification. Negotiations are underway for agreements with Canada, Mexico and India; negotiations with Japan to reach an agreement have been suspended since 2004.

Trade Partners: China, U.S., Japan, Hong Kong, Saudi Arabia and UAE.

Business Environment: The World Bank currently ranks South Korea as 30th for ease of doing business with an estimated 17 days to start a business in the country. With the recent signing and anticipated ratification of the Korean – U.S. Free Trade Agreement (FTA), the ease of trade between the two countries is expected to improve greatly. Already a large trading partner with the U.S., the reduction of tariff and non-tariff barriers over the next tens years are expected to increase trade between the nations significantly. With a highly educated and technical population, their demands for U.S. products continue to increase and drive increasing imports from the U.S. Korea is currently striving to develop itself into an international business and financial hub.

When entering South Korea it is essential to have local representation to establish a business presence. This can be accomplished through appointing a registered agent, naming a trading company as an agent or opening a local sales office. Legal representation is also highly recommended before signing an agreement or beginning business in Korea. Finally, including a termination clause in agency contracts is a good protection for U.S. companies to avoid potential arbitration proceedings and fees.

The effective tariff rate remains relatively low at 7.9%, and under their World Trade Organization (WTO) membership they are continuing to reduce tariffs in many areas to zero. Duties, specifically on agricultural and horticultural products, remain extremely high; in some cases reaching 30-100% on products that are particularly important to U.S. suppliers. Additional barriers include a 10% Value Added Tax (VAT) to all imports and domestic products and a special excise tax of 10-20% on certain luxury goods. Pending the ratification of the FTA there continue to be many barriers in place for imports from U.S. companies.

Intellectual property rights remain a problem for U.S. firms, as Korea is on the “Special 301 Watch List” after being recently upgraded from the “Priority Watch List”. Korea also maintains strict labor laws that have created an environment with powerful unions. Two sectors remain completely closed to foreign investment: Radio and Television Broadcasting. In addition there are over 25 restricted sectors which require approval for investment. All other areas are open to foreign investment, and normally receive approval within 3 hours of receipt of the application. The government of Korea continues to take steps to improve foreign investment through the Foreign Promotion Investment Act of 1998 that aimed to simplify the investment procedure. Korea also has three special foreign investment areas: Foreign Economic Zones, Foreign Investment Zones and Tariff Free Zones that provide favorable tax and investment incentives for foreign firms. Even with these efforts, South Korea remains a challenge for U.S. firms due to a gray regulatory environment which leaves room for interpretation by the government.

When traveling to Korea, a U.S. passport allows entry and stay for up to 30 days. If a longer stay is required, a Visa must be obtained prior to entering Korea and will be valid for up to 90 days. After 90 days an application must be submitted for an alien registration card. Overstaying a Visa in Korea could result in fines being assessed prior to departure.

EXPORTS AND IMPORTS

South Korea is the 13th largest economy in the world and currently ranks seventh in trade with the U.S. totaling over \$82 billion USD per annum. Ranking 27th in overall trade with the District of Miami, South Korea traded nearly \$800 million USD with the region in 2007.

Exports totaled \$371.5 billion USD in 2007 through trade primarily with China (22%), U.S. (12%), Japan (7%) and Hong Kong (5%). Products most prevalently traded include: Semiconductors, wireless telecommunications equipment, motor vehicles, computers, steel, ships and petrochemicals. South Korea imported over \$981 million USD worth of products to Florida in 2007. More than 70% of these exports were received by the District of Miami. Imports to Miami accounted for nearly 90% of the trade with South Korea with over \$700 million USD in 2007. The top five imported products to Miami included: Electric apparatus for line telephones (\$291M), oil, not crude (\$123M), automatic data process machines (\$53M), medical and surgical instruments (\$28M) and steam generators (\$27M).

Imports were estimated to have reached \$356.8 billion USD for 2007. Trade was conducted with China (17%), Japan (16%), U.S. (10%), Saudi Arabia (5%) and UAE (4%) and included trade of machinery, electronics and electronic equipment, oil, steel, transport equipment, organic chemicals and plastics. Florida exported \$447 million USD worth of products to South Korea. Miami accounted for less than 20% of these exports amounting to \$82 million USD in 2007. The main products included: Turboprops and other turbines (\$17M), aluminum waste & Scrap (\$11M), medicaments (\$4M), articles of plastic (\$3M) and ferrous waste & scrap (\$3M).

FOREIGN DIRECT INVESTMENT

Invest Korea is a service that is offered by the Korean Trade-Investment Promotion Agency (KOTRA), which provides assistance for companies wishing to engage in business in Korea. The following are five steps that firms should follow when investing:

1. Assess your company's commitment to establishing a presence in Korea with support from Invest Korea. This will assist firms in determining next steps.
2. Receive authorization to proceed with an investment which can be attained through notification to the Ministry of Commerce, Industry & Energy (MOCIE), Invest Korea or the head office of a Korean Bank.
3. Identify an office site. Rents are expensive and a qualified real estate agent should be used to protect the investor.
4. Register with the nearest tax office. Due to complicated tax laws, the hiring of a local accountant should also be considered.
5. Seek qualified employees. The local area offers highly qualified workers who are anxious to work for U.S. firms.

In 2005, inbound Foreign Direct Investment (FDI) reached \$11.6 billion USD, with services accounting for three-quarters of this amount. The main investors in the area include: U.S. (30%), EU Countries (30%) and Japan (15%). In the first half of 2008, FDI has soared 35% due to large business projects predominately coming from the U.S. and Japan. In 2007, outbound investment totaled \$276.4 million USD with \$43.5 million USD coming to the U.S. China continues to be the number one place for overseas investment originating from South Korea. Outbound investment from South Korea cumulatively reached \$82 billion USD in 2006. According to the 2008 South Florida Global Economic Impact Study

South Korea has five companies with a presence in Miami. Korea Sewing Machine USA has a U.S. Headquarters; Hanjin Shipping, Hyundai Motors and Samsung Electronics Latin America have regional headquarters located in Miami. One additional company currently has a local office in the area.

RECOMMENDATION

A trade mission to South Korea would be highly recommended as a result of South Korea's strong and growing trade relationship with the U.S. and South Florida. Overall trade with Miami increased over 60% last year showing the potential for this growing country. There is an opportunity to significantly increase the amount of exports to South Korea, since they only accounted for 10% of trade with Miami in 2007. Additionally, the large increase in FDI originating from the U.S. highlights their readiness for growth and investment. With the expected ratification of the U.S. bilateral trade agreement, initial entry in South Korea through exporting would be advantageous. Partnership opportunities could exist between the following organizations:

- The International Trade Consortium and the Korean Trade-Investment Promotion Agency;
- Miami Port Authority and the Ports of Inch'on and P'ohang;
- The Miami International Airport and Incheon International Airport.

Based on the industries identified as targets for South Korea combined with the top imports into the country, the following South Florida businesses have been identified as having potential interest in the area:¹

- Aerospace Industry: B/E Aerospace in Miami (<http://www.beaerospace.com/home.nsf/home.html?OpenPage>) and Heico Corporation in Hollywood (<http://www.heico.com/index.aspx>);
- Biotechnology: Galix Biomedical Instrumentation in Miami Beach (<http://www.galix-gbi.com/>) and Goodwin Biotechnology in Plantation (<http://www.goodwinbio.com/index.html>);
- IT Industry: Alienware in Miami (<http://www.alienware.com/>);
- Logistics: Ryder Systems in Miami (<http://www.ryder.com/index.shtml?disp=us>);
- Semiconductor Industry: All American Semiconductor in Miami (<http://www.allamerican.com/>).
- Electronics and electronic equipment: Precision Trading Corporation (<http://precisiontrading.com/>) and All American Semiconductor (<http://www.allamerican.com/>);
- Oil: World Fuel Services Corporation (<http://www.wfscorp.com/wfscorp/index.jsp>) and Oxbow Corporation in West Palm Beach (<http://www.oxbow.com/ContentPage.asp?FN=Home&oLang=>);
- Steel: Everglades Steel Corporation in Miami (<http://www.evergladessteel.com/index.htm>) and Pipe and Steel of Florida (<http://www.pipeandsteel.com/home.html>);

¹ These South Florida businesses were identified in the 2008 South Florida Business Journal "Book of Lists" or the Florida Manufacturers Register and were determined to be operating in an industry that was either a targeted industry in South Korea or one of the top five products imported into the country.

With a rapidly expanding economy, South Florida businesses have an opportunity to significantly increase exports to South Korea. Initial investment as an exporter would help to pave the way for further investment in the future. If FDI is considered, firms should first contact the representatives listed below, and speak with other U.S. firms present in the area about investment procedures. The U.S. continues to be one of the top investors in South Korea, which should help to provide a framework for incoming firms. In an effort to minimize potential risk, initial investments in cooperation with local representation would be highly recommended.

Representatives in the area include:

Ambassador Alexander Vershbow
U.S. Embassy: 32 Sejong-no, Jongno-gu, Seoul 110-710
Tel: (82-2) 397-4114
Fax: (82-2) 738-8845

Invest KOREA
13, Heolleungno, Seocho-gu, Seoul, Republic of Korea
Tel: (82-2) 3460-7545
Fax: (82-2) 3460-7946/7
<http://www.investkorea.org>

Sources: The Beacon Council, The Central Intelligence Agency World Fact Book, Economic Intelligence Unit, Enterprise Florida, Florida Manufacturers Register, Korean Trade-Investment Promotion Agency's Invest Korea, South Florida Business Journal "Book of Lists", STAT USA, U.S. Department of Commerce, U.S. State Department, World Bank and World City.

COUNTRY BACKGROUND

President: Ma Ying-jeou; took office in May 2008. Next election will be held in March 2012.

Government: Multiparty democracy

Capital: Taipei

Major Cities: Kaohsiung, Taichung

Major Ports: Kaohsiung, Keelung, Taiching, and Hualien

Airports: 41 airports, 38 with paved runways

Population (2008 est.): 22,920,946

Official Language: Mandarin Chinese

Currency: New Taiwan Dollar (TWD), controlled by the Central Bank of China (CBC); current exchange rate: 32.84 TWD = 1 USD.

General Geography: Taiwan is a group of islands totaling 32,260 sq km of land, located in Eastern Asia on the border of the East China Sea, Philippine Sea, South China Sea and Taiwan Strait. Taiwan is located north of the Philippines and off the southeastern coast of China.



TRADE AND COMMERCE KEY FEATURES

GDP (2007 est.): \$690.1 billion

Per Capita GDP (2007 est.): \$29,800

Natural Resources: Small deposits of coal, natural gas, limestone, marble and asbestos.

Agricultural Products: Rice, corn, vegetables, fruit, tea, pigs, poultry, beef, milk and fish.

Types of Industries: Electronics, petroleum refining, armaments, chemicals, textiles, iron and steel, machinery, cement, food processing, vehicles, consumer products and pharmaceuticals. As Taiwan shifts their focus from older technologies, they have identified biotechnology, optoelectronics and nanotechnology as the next priorities.

International Organizations: ADB, APEC, BCIE, ICC, IOC, ITUC, WCL, PECC, PBEC and WTO

Trade Agreements: Panama-Taiwan Trade Agreement (2004)

Trade Partners: China, Hong Kong, United States, Japan, South Korea and Saudi Arabia.

Business Environment: Taiwan is currently ranked 50th by the World Bank for ease of doing business. While not currently a member of the United Nations (UN) Taiwan joined the World Trade Organization (WTO) in 2002 and have lowered barriers to entry and tariffs in accordance with their membership mandate; the nominal tariff rate fell to 5.57% from 5.6%, industrial products remained at 4.10% and agricultural tariffs fell from 13.31% to 13.16%. Along with this membership into the WTO, Taiwan has passed Intellectual Property Rights (IPR) legislation to improve enforcement and protection. “Strategic”

industries that have previously been protected are slowly being privatized to allow for foreign investment. With the exception of certain prohibited investments, foreign investors receive national treatment and may conduct business in all other areas. Currently there are 11 prohibited industries and 23 restricted industries on the negative list (<http://ww.moeaic.gov.tw>). The prohibited industries include those areas that may pose a risk to national security, public order or public health. For all approved industries, foreign investment is handled by The Department of Investment Services (DOIS). The following steps provide a general guideline for receiving approval for foreign investment in Taiwan:

1. Search the uniqueness of company name online. Reserve a company name and apply for the approval to operate from MOEA by mail. This takes approximately 4 days and costs TWD 300 (government fee).
2. Make a company seal. Estimated to take 1 day at the cost of TWD 450 (depending on the number/ material used, each range from TWD 450 to TWD 1000).
3. Deposit capital in a bank. There is no charge for this step and it should only take 1 day.
4. Have a certified accountant verify and sign the paid-in capital. While fees vary across firms it should cost between TWD 4,500 - 25,000 and take 3 days.
5. Apply for incorporation at the Ministry of Economic Affairs (MOEA) for large companies with paid-in capital of more than TWD 500 million, or reconstruction department of the local government for smaller companies. The cost is 0.025% of capital, or a minimum of TWD 1000, and takes approximately 7 days.
6. Apply for a business license and taxpayer identification number from Taipei Municipal Government (for tax purposes). This should take 11 days and cost TWD 1,000.
7. Apply for Labor Insurance, National Health Insurance and Pension Plan Report by mailing consolidated forms to the Bureau of Labor Insurance. There is no charge associated with this step and it takes approximately 18 days.
8. Register with Labor Standard Legislation (LSL) scheme for retirement and work rules. This step can occur simultaneously with Step 7 at no charge. Allow 20 days for completion.

The World Bank estimates the time to start a new business in Taiwan to be 48 days. Foreign firms entering the market for the first time often work with a local partner to serve as the company's agent or distributor. Entering into a manufacturing or production relationship, in addition to distribution, can also help show commitment to the community. Import licenses are not required for commodities that are not subject to any import restrictions. Importers can also apply directly for a customs clearance for a fee of TWD 500. There are some restrictions on labeling that require wording to primarily appear in Chinese. Locating in a science-based industrial park can allow firms to take advantage of their streamlined procedures. Services do face higher barriers to entry due to licensing requirements.

The Bureau of Consular Affairs under the Ministry of Foreign Affairs is responsible for issuing visas for foreign nationals wishing to work in Taiwan (<http://www.boca.gov.tw>). Short term stays range from 14 – 90 days and can require a valid passport, confirmed return air ticket, completed application, no criminal record and relevant work documents. The fees range from \$36 - \$100 USD. A resident visa is required for foreign executives, staff members and their dependants who wish to stay longer than 180 days. In order to

stay based on employment, a work visa is required and the employer must meet the requirements stated by the Bureau of Employment and Vocational Training.

Corporations are taxed under the Income Tax Law. The tax rate for companies is 25%, but the effective rate is approximately 16% due to incentives in certain industries, specifically high-tech. Other taxes include the business tax (VAT 5%), customs duty and commodity tax (on certain goods).

EXPORTS AND IMPORTS

Taiwan currently ranks 16th in the world for imports, exports and overall trade totaling over \$425 billion USD. Ranked 37th on the list for total merchandise traded with Florida, Taiwan exchanged items exceeding \$800 million USD in 2007.

Exports totaled \$246.7 billion USD in 2007 with most exports going to China (24%), followed by Hong Kong (15%), United States (12%) and Japan (6%). Main export goods included electronic products (26%) followed by basic metals and articles (7%). Other key exports included textiles, plastics, chemicals and auto parts. In 2007, Taiwan exported a total of \$617.6 million USD worth of products to Florida, ranking 23rd on the Florida trade list. In 2007, imports to the District of Miami from Taiwan totaled \$477 million USD comprised of these top five product categories: Yachts and other vessels for pleasure (\$81M), electric apparatus for line telephony (\$26M), parts and accessories for motor vehicles (\$22M), automatic data processing machines (\$20M) and TV receivers, video monitors and projects (\$15M).

Imports totaled \$219.3 billion USD for 2007. Most imports arrived from Japan (21%), China (12%), United States (12%), South Korea (7%) and Saudi Arabia (4%). The most significant imports have been electronic products (16%) and crude oil (10%). Other products imported include machinery, precision instruments, organic chemicals and metals. In 2007, \$187.4 million USD in Florida origin items were exported to Taiwan. The District of Miami accounted for 29% of those exports with a total of \$54 million USD. The top five items exported included: Ferrous waste & scrap (\$10M), medicaments nesoi (\$8M), copper waste & scrap (\$4M), automatic data process machines (\$3M) and orthopedic appliances (\$2M).

FOREIGN DIRECT INVESTMENT

In 2007, the Ministry of Economic Affairs approved \$10.16 billion USD in foreign investment projects in the first nine-months. The top industries represented in this investment include non-metal manufacturing (63%), finance and insurance (21%) and wholesale/retail (5%). The top three investing countries were the Netherlands, the UK and the Cayman Islands. Amendments to the Land Law in 2001 and 2002 now permits foreigners to purchase land for use and investment, yet some restrictions still apply. Foreign investors may find it helpful to join local industry groups that are effective at lobbying the government. Taiwan has also created science-based industrial parks, export processing zones and free trade zones to encourage investment through a streamlined approval process. Other incentives offered to foreign firms include accelerated depreciation and tax credits, low-interest loans, five-year tax holiday and free rent for locating in designated parks. In a continued effort to encourage FDI, the Taiwanese government has set up a website to assist in the process: <http://investintaiwan.nat.gov.tw/en/>.

Outward investment from Taiwan is handled by the Second Division of the Investment Commission under the MOEA. By 2005, cumulative applications for outward investment totaled \$92 billion USD. The main recipients of the outbound investment are mainland China, Southeast Asia and the Americas. Every year since 1988, outbound investment has exceeded inbound investment and totaled \$485 million USD to

the United States in 2006. Taiwan currently has one company with a U.S. Headquarters and five companies with regional/local headquarters located in South Florida. The companies include: Acer Latin America, BenQ Latin America Corp, China Airlines, Lung-Meng Machinery U.S.A., MSI Miami Corp., Shoprider Mobility Products, Inc. and Siruba Latin America. With estimates from four of the six companies, these offices generate more than \$500 million USD in revenues annually.

RECOMMENDATION

A trade mission to Taiwan would be highly recommended due to their active participation in the global market. With an increasingly educated population base that demands quality goods, foreign firms are finding success through exports and investments to the area. Ideal ways to enter this market would be through exporting or investing in Scientific Industrial Parks where incentives will reduce initial costs for investors. Florida conducted over \$800 million in trade with Taiwan last year. While exports have recently shown a slight decline, imports to Taiwan have risen by 9%. In addition Taiwan continues to increase outbound foreign investment which now totals over \$92 billion with a particular interest in the Americas. South Florida is in an ideal geographic position to increase future trade and investment as the “Gateway to the Americas.” Partnership opportunities could exist between the following organizations:

- The Greater Miami Chamber of Commerce (GMCC) and the Taiwan Chamber of Commerce;
- The International Trade Consortium and the Department of Investment Services;
- The Beacon Council and the Ministry of Economic Affairs, Second Division of the Investment Commission;
- Miami Port Authority and the Ports of Kaohsiung, Keelung, Hualien, and T’ainchung;
- The Miami International Airport and the international airports of Chiang Kai-shek and Kaohsiung.

Listed below are those industries that are especially attractive for exporting to Taiwan as well as examples of South Florida businesses that could take advantage of the growing market:¹

- Biotechnology: Galix Biomedical Instrumentation in Miami Beach (<http://www.galix-gbi.com/>) and Goodwin Biotechnology in Plantation (<http://www.goodwinbio.com/index.html>);
- Optoelectronics: Brain Power Inc. in Miami (<http://www.brainpowerinc.com>).
- Electronic Products: Precision Trading Corporation (<http://precisiontrading.com/>) and All American Semiconductor (<http://www.allamerican.com/>);
- Crude Oil (Petroleum): World Fuel Services Corporation (<http://www.wfscorp.com/wfscorp/index.jsp>) and Oxbow Corporation in West Palm Beach (<http://www.oxbow.com/ContentPage.asp?FN=Home&oLang>).

Initially, South Florida companies should investigate possibilities of direct selling or exporting to the region, prior to considering FDI. Utilizing the contacts listed below, along with identifying U.S. firms in similar industries that have previously invested in Taiwan, would provide solid information about the

¹ These South Florida businesses were identified in the 2008 South Florida Business Journal “Book of Lists” or the Florida Manufacturers Register and were determined to be operating in an industry that was either a targeted industry in Taiwan or one of the top five products imported into the country.

benefits and risks associated with a local business venture. If FDI is considered, it would be prudent to begin with warehousing and distribution or an agent contract to initially establish a selling presence.

Representatives in the area include:

The American Chamber of Commerce in Taipei
MinSheng East Road, Section 3, #129, 7F, Suite 706, Taipei 10596
Tel: (886-2) 2718-8226
Fax: (886-2) 2718-8182
Email: amcham@amcham.com.tw

American Institute in Taiwan Commercial Section, Taipei
Suite 3207, 333 Keelung Road Section 1
Taipei, Taiwan
Chief: Gregory Wong
Tel: (886-2) 2720-1550
Fax: (886-2) 2757-7162
E-Mail for general inquiries: Taipei.Office.Box@N0SPAM.mail.doc.gov1

American Institute in Taiwan Commercial Section, Kaohsiung
5F, No. 2 Chung Cheng 3rd Road
Kaohsiung, Taiwan
Telephone from the U.S.: 011-886-7-238-7744
Telephone from within Taiwan: (07) 238-7744
E-Mail for general inquiries: Kaohsiung.Office.Box@N0SPAM.mail.doc.gov3

Department of Investment Services, MOEA
8th Fl., 71 Kuan Chien Rd.
Taipei 100-47, Taiwan, R.O.C.
Inbound FDI: Section Chief - Yen-shiun Chang
Outbound FDI: Section Chief – Pauline Tzuang
Tel: (886-2)2389-2111
Fax: (886-2)2382-0497/8

Enterprise Florida, Taiwan Office
Wennie Chen, Director
Contact: http://www.eflorida.com/Contact_International_Taiwan.aspx

Taiwan Chamber of Commerce
13F. No. 168 Sung Chiang Rd.
Taipei City, Taiwan R. O. C.
Chairman: Mr. Chang Pen-Tsao
Tel: (886-2) 2536-5455
Fax: (886-2) 2521-1980

Sources: The Beacon Council, Bureau of Consulate Affairs for Taiwan, Central Intelligence Agency World Fact book, Economic Intelligence Unit, Enterprise Florida, Florida Manufacturers Register, Invest in Taiwan, Ministry of Economic Affairs for Taiwan, South Florida Business Journal “Book of Lists”, STAT USA, U.S. Department of Commerce, U.S. State Department, World Bank and World City.

COUNTRY BACKGROUND

Chief of State: King Phumiphon Adunyadet

Head of Government: Prime Minister Samak Sundavavej

Government: Constitutional Monarchy

Capital: Bangkok

Major Cities: Nakhon Ratchasima, Khon Kaen, Udon Thani, Ubon Ratchathani, Nakhon Sawan, Chiang Mai, Phitsanulok, Surat Thani, Phuket and Hat Yai.

Major Ports: Bangkok, Laem Chabang, Prachuap Port and Si Racha.

Airports: 106 airports, 65 with paved runways.

Population (2008 est.): 65,493,298

Official Language: Thai, although English is the secondary language of the elite.

Currency: The official currency is the baht (THB) which currently exchanges at \$1USD = 33.36 THB.

General Geography: Located in Southeastern Asia, bordering the Andaman Sea and the Gulf of Thailand, Thailand has 511,770 sq km of land situated southeast of Myanmar (Burma).



TRADE AND COMMERCE KEY FEATURES

GDP (2007 est.): \$519.4 billion

Per Capita GDP (2007 est.): \$7,900

Natural Resources: Tin, rubber, natural gas, tungsten, tantalum, timber, lead, fish, gypsum, lignite, fluorite and arable land.

Agricultural Products: Rice, cassava (tapioca), rubber, corn, sugarcane, coconuts and soybeans.

Types of Industries: Tourism, textiles and garments, agricultural processing, beverages, tobacco, cement, light manufacturing such as jewelry and electric appliances, computers and parts, integrated circuits, furniture, plastics, automobiles and automotive parts; world's second-largest tungsten producer and third-largest tin producer.

International Organizations: ADB, APEC, APT, ARF, ASEAN, BIMSTEC, BIS, CP, EAS, FAO, G-77, IAEA, IBRD, ICAO, ICC, ICCT (signatory), ICRM, IDA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC, MIGA, NAM, OAS (observer), OIC (observer), OPCW, OSCE (partner), PCA, UN, UNAMID, UNCTAD, UNESCO, UNHCR, UNIDO, UNMIS, UNWTO, UPU, WCL, WCO, WFTU, WHO, WIPO, WMO, WTO

Trade Agreements: Thailand currently has trade agreements with Japan, Australia, Bahrain, China, India and New Zealand. They are currently pursuing agreements with the United States, Peru and the European Free-Trade Association.

Trade Partners: U.S., China, Singapore, Hong Kong, Malaysia, Japan and the UAE.

Business Environment: In 2007, Thailand ranked 15th in the world for ease of doing business by the World Bank. Specifically, they excelled in the areas of starting a business, handling licenses and registering property. It is currently estimated to take approximately 33 days to start a company in Thailand. Privatization still remains a problem with no enterprises being privatized as planned in 2006-07. Due to continued legal problems and protests, plans to continue the privatization with the Electricity-Generating Authority of Thailand (EGAT) have been halted for several years. Even enterprises that have been successfully privatized face limits on foreign and domestic investment, with no more than 25% being available for investment.

The Board of Investment (BOI), under the Ministry of Industry, is responsible for applications and approvals of foreign investment. Streamlined procedures for these have been made available at the Commercial Registration Department (CRD) which can provide approval within two hours. Investors should still expect complications due to language, lack of coordination between regulatory authorities and the multitude of permits and licenses required for various industries. Intellectual property rights continue to be a problem as Thailand was just downgraded to the “Priority Watch List” due to a lack of substantial improvement in enforcement measures. Specifically, audio, film and computer products are highly pirated items. Also, in late 2006, the Thai government stated they would begin issuing compulsory licenses for pharmaceuticals which would force firms to break their patents allowing production of generic versions.

In an effort to change their current industry focus, Thailand removed all investment incentives for low-wage, high labor intensive projects and began to shift their focus towards higher technology industries. Activities included under the Skills Technology and Innovation (STI) framework are eligible for special tax incentives including up to an eight year corporate tax holiday and exemption from import fees on machinery. The effective corporate tax rate in 2007 was 33.8% after deductions and depreciation. Thailand anticipated beginning a tax reform to lower this rate in early 2008 along with other adjustments to simplify the tax code and reduce the instances of bribery.

While they have a workforce of 37 million, Thailand falls short in the area of unskilled and highly skilled labor. This has resulted in higher than average labor costs than others in the region such as China and Vietnam. With a more expensive cost base, Thailand has tried to shift their market towards a highly technical specialty. This has proven to be difficult due to the lack of highly trained engineers, which has forced many foreign firms to import labor. Unemployment remains extremely low, estimated at 1.2%, which has also encouraged a migration of workers from the three poor neighboring areas. Employment of foreigners is limited based on the amount of capital invested in the region. Work permits are required, and must be applied for by the local entity. The employer is normally required to show that the position is not able to be filled locally.

EXPORTS AND IMPORTS

Thailand currently ranks 25th in world for overall exports and 24th for imports. As the 27th largest exporter with the U.S., total cross border trade amounted to \$31 billion USD in 2007. Thailand also ranks 35th in overall trade with Florida totaling over \$376 million USD for 2007.

Exports totaled \$151 billion in 2007 and was conducted primarily with the U.S. (15%), Japan (12%), China (9%), Singapore (6%), Hong Kong (5%) and Malaysia (5%). The most common products exported were textiles and footwear, fishery products, rice, rubber, jewelry, automobiles, computers and electrical appliances. Exports to the State of Florida amounted to \$433 million USD in 2007, with the District of Miami receiving more than 75%. Products imported into Miami totaled \$341 million USD and included: Crustaceans, mollusks; prepared or preserved (\$100M), Crustaceans; live or fresh (\$70M), Articles of jewelry (\$16M), Fruits and nuts (\$11M) and Prepared food (\$8M).

Imports were estimated to be \$125 billion USD in 2007. Their main trading partners included Japan (19%), China (10%), U.S. (7%), Malaysia (6%), UAE (5%) and Singapore (4%). The most common products imported consisted of capital goods, intermediate goods and raw materials, consumer goods and fuels. Vietnam received over \$149 million USD worth of products from the State of Florida. Imports from the District of Miami totaled over \$35 million USD in 2007. The top five exports included: Aluminum waste & scrap (\$10M), Aircraft, spacecraft and balloon parts (\$3M), Medicaments (\$2M), Turbojets and other turbines (\$2M) and Ferrous waste and scrap (\$1M).

FOREIGN DIRECT INVESTMENT

In the first nine months of 2007, Foreign Direct Investment (FDI) inflows equaled THB 214.4 billion (approximately \$6.4 billion USD), and were directed mainly towards the industries of electrical appliances, real property and finance. The majority of these investments originated from Japan, the U.S. and the Netherlands. FDI is regulated by the 1972 Foreign Business Act, which is actively facing new amendments in 2007 and 2008. Foreign investment continues to be strictly regulated, but was eased substantially in 2000 when the list of restricted industries for foreign investment were reduced from 70 to 32. Restrictions are segmented in three categories and are generally in place for reasons of national security or culture or to protect *infant industries* from foreign competition. Cumulative outbound FDI reached \$7 billion USD in 2007. In the 2008 South Florida Global Economic Impact Study there was no noted presence of Thai multinationals in South Florida.

RECOMMENDATION

A trade mission to Thailand is not highly recommended due to the heavily regulated business environment combined with the relatively slow growth of trade compared with other countries in the region. Thailand is also facing a period of political uncertainty which is resulting in potential policy changes. In the future, Thailand should be expected to increase trade and domestic growth as they hope to emerge as a high-tech hub; currently, though, they cannot compete with the low labor wages of the region and do not have the workforce to support this industry shift. Therefore, it is recommended that a mission to Thailand be delayed to a later date. If a trade mission is conducted, partnership opportunities potentially exist between the following organizations:

- The Greater Miami Chamber of Commerce and the Thai Chamber of Commerce and Board of Investment;
- The International Trade Consortium and the Board of Investment;
- Miami Port Authority and the Ports of Laen Chabang, Songkhla, and Phuket;
- Miami International Airport and the International Airport of Bangkok.

Listed below are South Florida companies that conduct business in the same industry as those identified as expanding in the Thailand market:¹

- Electronics: Precision Trading Corporation (<http://precisiontrading.com/>) and All American Semiconductor (<http://www.allamerican.com/>).
- Fuels: World Fuel Services Corporation (<http://www.wfscorp.com/wfscorp/index.jsp>) and Oxbow Corporation in West Palm Beach (<http://www.oxbow.com/ContentPage.asp?FN=Home&oLang>).

If firms choose to invest in Thailand, initial entry should be limited to exporting. Special attention should be paid to the type of product being imported, as intellectual property protection is still inadequate. With the current business environment, FDI is not highly recommended due to the continued changes in the regulatory environment.

Representatives in the area include:

Ambassador Eric G. John
U.S. Embassy: 120-122 Wireless Road, Bangkok 10330
Telephone: (66)2205-4000
Fax: (66) 2254-2990, 205-4131
Consulate(s) general: Chiang Mai

The American Chamber of Commerce in Thailand
7th Floor, GPF Witthayu A, 93/1 Wireless Road, Lumpini, Pathumwan, Bangkok 10330
Tel: (66) (0) 2254-1041
Fax: (66) (0) 2251-1605
Email: service@amchamthailand.com

Board of Investment, Thailand
555 Vibhavadi-Rangsit Rd., Chatuchak, Bangkok 10900
Tel. (66)2537-8111-55, 2537-8555
Fax: (66)2537-8177
Website: <http://www.boi.go.th>
E-Mail: head@boi.go.th

Sources: The Beacon Council, Board of Investment of Taiwan, Central Intelligence Agency World Fact Book, Economic Intelligence Unit, Enterprise Florida, Florida Manufacturers Register, South Florida Business Journal “Book of Lists”, STAT-USA, U.S. Department of Commerce, The U.S. State Department, World Bank and World City.

¹ These South Florida businesses were identified in the 2008 South Florida Business Journal “Book of Lists” or the Florida Manufacturers Register and were determined to be operating in an industry that was either a targeted industry in Thailand or one of the top five products imported into the country.

COUNTRY BACKGROUND

President: President Nguyen Minh Triet

Head of Government: Prime Minister Nguyen Tan Dung

Government: Communist State

Capital: Hanoi

Major Cities: Hanoi, Hué, Danang, Nha Trang, Dalat and Ho Chi Minh City.

Major Ports: Da Nang, Hai Phong and Ho Chi Minh City.

Airports: 44 airports, 37 equipped with paved runways.

Population (2008 est.): 86,116,559

Official Language: Vietnamese (official), English (increasingly favored as a second language), some French, Chinese, and Khmer; mountain area languages.

Currency: The official currency is the dong (VND) which currently exchanges for \$1USD = 16,840 VND. The currency is managed as a crawling peg against the USD by the State Bank of Vietnam.

General Geography: Located in Southeastern Asia, bordering the Gulf of Thailand, Gulf of Tonkin, and South China Sea, Vietnam consists of 325,360 sq km of land positioned alongside China, Laos, and Cambodia.



TRADE AND COMMERCE KEY FEATURES

GDP (2007 est.): \$221.4 billion

Per Capita GDP (2007 est.): \$2,600

Natural Resources: Phosphates, coal, manganese, bauxite, chromate, offshore oil and gas deposits, forests and hydropower.

Agricultural Products: Paddy rice, coffee, rubber, cotton, tea, pepper, soybeans, cashews, sugar cane, peanuts, bananas, poultry, fish and seafood.

Types of Industries: Food processing, garments, shoes, machine-building, mining, coal, steel, cement, chemical fertilizer, glass, tires, oil and paper.

International Organizations: ADB, APEC, APT, ARF, ASEAN, CP, EAS, FAO, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IFAD, IFC, IFRC, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, MIGA, NAM, OIF, OPCW, UN, UN Security Council (temporary), UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCL, WCO, WFTU, WHO, WIPO, WMO, WTO

Trade Agreements: Vietnam is a member of the ASEAN Free Trade Area (AFTA) and negotiated a bilateral trade agreement with the U.S.

Trade Partners: US, Japan, Australia, China, Germany, Singapore, Taiwan, South Korea, Thailand and Malaysia.

Business Environment: Vietnam ranked 91st in the world for ease of doing business as evaluated by the World Bank. While it currently takes approximately 50 days to start a business this figure is expected to drop substantially as a result of significant regulatory changes over the past year. As a recent member of the World Trade Organization (WTO), Vietnam is taking steps to open the market to foreign investment and to remove most discriminatory price controls previously in place. This has included a rapid privatization of state-owned enterprises (SOEs) taking the number from 6,000 to a current 1,400 companies. The fastest growing sector is currently industry and construction which accounted for 41.61% of GDP 2007 followed by agriculture, forestry and fishery accounting for 20.25%. This indicates an industrializing nation supported by strong investment and growing exports.

With a large, inexpensive labor force available, foreign firms continue to be attracted to Vietnam. Labor laws have recently been amended to allow increased disciplinary action, including dismissal for workers. Labor unions are very powerful, and are legally permitted to strike. While relatively stable both politically and economically, Vietnam still proves to be a difficult business environment due to poor infrastructure, political corruption and government involvement in business, specifically their continued support of some SOE's. Although foreign investment restrictions have relaxed to allow 100% ownership in law and engineering services, there are still significant limits in certain business areas.

All investments into Vietnam must be approved by the Prime Minister, the people's committee in the provinces and cities or by the management board of the special industrial zones. Depending on the size or sector of the investment a foreign business may require business registration, investment registration or investment evaluation. Complete documentation must be submitted to the relevant agency in Vietnamese to be considered for approval. Business registration certificates are normally issued within 10 days from receipt of completed application and an investment certificate is issued within 15 working days. Due to this rather complicated process, it is important to engage a local representative that can assist with the documentation. With no private property rights in Vietnam, the use of a local expert would also be helpful in the acquisition and approval of land use.

The standard rate of corporate taxation is 28%. Recently, Vietnam has begun to reform their tax system to enforce non-payment, yet the system remains complex and local assistance is recommended. Other taxes include the Value Added Tax (VAT), capital assignment profits tax, special sales tax, foreign-contractor withholding tax, natural-resources tax, property taxes and export/import duty. Vietnam has traditionally offered additional incentives to foreign investors including reduced corporate taxes, reduced rent and import duty exemptions. With accession to the WTO in January 2007, these incentives have been adjusted to comply with membership requirements. Depending on the investing firm, incentives are still used to encourage specific industry and location choices. Investment in any of the 140 industrial zones (IZ) or 125 of the export processing zones (EPZ) are eligible to attractive incentives including, in certain cases, tax reductions for up to 15 years.

There are currently three ways to begin selling products in Vietnam: Direct importing, licensing with a local manufacturer or setting up a venture. The quickest option is licensing a local manufacturer, giving them the right to produce and sell products. While the quickest option that limits risk for the investor, this

avenue is also plagued by long approval processes, lacking intellectual property protection, restrictions on payments and limited contact duration. Another challenge, due to infrastructure, is the ability to find a manufacturer that can meet the volume requirements. While IPR infringements in the country remain high and Vietnam is still included on the “watch list”, they were recently commended on their efforts to enforce violations. Money exchange and remittance restrictions have also eased with Vietnam’s accession to the WTO, but firms must comply with certain account and tax requirements prior to exchanging currencies.

Employment of foreigners is limited, and employees must meet certain age, health and employment criterion. Work permits are required to be employed in Vietnam for over 90 days. While regulations on immigration have increased, certain emergency situations are exempted from these restrictions. Permits are issued for the length of the employment contract or up to 36 months. Non-business travelers can enter the country on visas varying in length from 15 days to 12 months.

EXPORTS AND IMPORTS

Vietnam conducted over \$100 billion USD in cross border trade in 2007. Trade with the U.S. amounted to \$12 billion USD, an increase of almost 30% from the previous year moving up to 39th as most important trading partner. Ranking 52nd with Miami, trade topped \$145 million USD in 2007.

Exports amounted to \$48.07 billion USD in 2007 conducted primarily with the following trade partners: US (21%), Japan (12%), Australia (9%), China (5%) and Germany (4%). The most common products exported were crude oil, marine products, rice, coffee, rubber, tea, garments and shoes. Last year, the State of Florida imported over \$220 million USD worth of goods from Vietnam. The District of Miami received more than half of those, totaling \$132 million USD, in 2007. This primarily consisted of the following top five products: Print machinery (\$31M), crustaceans, mollusks; prepared or preserved (\$22M), furniture and parts (\$13M), fish fillets; fresh, chill or frozen (\$12M) and coffee and husks (\$9M).

Imports reached \$52.28 billion USD for 2007. The main trade partners included China (17%), Singapore (12%), Taiwan (11%), Japan (9%), South Korea (8%), Thailand (7%) and Malaysia (4%). Products sent to Taiwan from the State of Florida totaled \$30 million USD, with almost 50% of those originating from Miami. Exports from Miami to Vietnam amounted to more than \$14.9 million USD. The top five products exported included: Aircraft, spacecraft and balloon parts (\$2M), automatic data processing machines (\$1M), centrifuges, filters (\$1M), print machines (\$1M) and electric lasers (\$.9M).

FOREIGN DIRECT INVESTMENT

Foreign Direct Investment (FDI) continues to grow as Vietnam remains one of the top investment destinations in Asia. All FDI is handled by the Ministry of Planning and Investment which is currently planning a mission trip to the U.S. in early April of next year. Investments in 2007 totaled over \$20 billion USD with the majority of new capital coming from South Korea, British Virgin Islands, Singapore and Taiwan. Firms are attracted to the area due to a large labor force and low wage rates. In 2007, there were 67 projects approved for outbound investment which totaled \$391 million USD, a 92% increase from the previous year. The two main industries represented were agriculture and fisheries (40%) and industry; specifically heavy industry and oil and gas (38%). In the 2008 South Florida Global Economic Impact Study did not recognize any Vietnamese multinationals with a presence in the area.

RECOMMENDATION

A trade mission to Vietnam would not be recommended at this time. With other countries in the area showing more rapid growth, additional development in this market would be beneficial prior to initiating a mission. The rapidly changing regulatory environment coupled with a rather complex tax system continues to complicate successful entry into this market. The business environment in Vietnam should continue to be monitored to determine a more beneficial time to initiate a trip. In the future, if a trade mission is planned, potential partnership opportunities exist between the following entities:

- Greater Miami Chamber of Commerce and the Vietnam Chamber of Commerce and Industry;
- The International Trade Consortium and the Ministry of Industry and/or the Ministry of Planning and Investment;
- Miami Port Authority and the Ports of Saigon, Hai Phong and Da Nang;
- Miami International Airport and the international airports of Noi Bai (Ha Noi), Tan Son Nhat (Ho Chi Minh) and Da Nang (Central Vietnam).

Vietnam has identified specific industries as targeted areas for investment. The list below includes South Florida businesses that conduct business in these areas that could potentially take advantage of the growing markets:¹

- Chemical Industry: Fassi Chemical in Sunrise (<http://www.thefassigroup.com/>)
- Textile and Garment Industry: Claire's Stores in Pembroke Pines (<http://www.clairestores.com/phoenix.zhtml?c=68915&p=irol-IRHome>).
- Aircraft and parts: B/E Aerospace in Miami (<http://beaerospace.com>) and Heico Corporation in Hollywood (<http://heico.com>)

The most efficient way to enter the Vietnamese market is through direct selling. Licensing products and working with local agents present other opportunities for companies, but consideration should be taken when initiating these relationships. Intellectual property protection, which still remains a problem, coupled with the challenge of finding manufacturers to meet demand requirements makes these options less attractive. If FDI is desired, firms should take advantage of the contacts listed below and seek the advice of other U.S. firms with a Vietnamese presence.

Representatives in the area include:

Ambassador Michael W. Michalak
7 Lang Ha Street, Ba Dinh District, Hanoi
Tel: (84.4) 850-5000
Fax: (84.4) 850-5010
Consulate(s) general: Ho Chi Minh City

American Chamber of Commerce, Vietnam (Amcham) in Ho Chi Minh City
New World Hotel Business Center #323

^{1 1} These South Florida businesses were identified in the 2008 South Florida Business Journal "Book of Lists" or the Florida Manufacturers Register and were determined to be operating in an industry that was either a targeted industry in Vietnam or one of the top five products imported into the country.

76 Le Lai Street, District, 1Ho Chi Minh City, Vietnam
Tel: (84.8) 824 3562
Fax: (84.8) 824 3572

Ministry of Industry
54 Hai Ba Trung St, Hoan Kiem District, Hanoi
Tel: (84.4) 825-8311
Fax: (84.4) 826-5303
Internet: <http://www.moi.gov.vn>

Ministry of Planning and Investment (MPI)
2 Hoang Van Thu St, Ba Dinh District, Hanoi
Tel: (84.4) 845-5298, 804-4404
Fax: (84.4) 823-4453
Internet: <http://www.mpi.gov.vn>

Vietnam Chamber of Commerce and Industry (VCCI)
Fourth Floor, 9 Dao Duy Anh St, Hanoi
Tel: (84.4) 574-3985
Fax: (84.4) 574-3063
Internet: <http://www.vcci.com.vn>.

Sources: The Beacon Council, Central Intelligence Agency World Fact Book, Economic Intelligence Unit, Enterprise Florida, Florida Manufacturers Register, Ministry of Planning and Investment, South Florida Business Journal “Book of Lists”, STAT-USA, U.S. Department of Commerce, U.S. State Department, World Bank and World City.